

CITY OF SOMERVILLE, MASSACHUSETTS
SOMERVILLE AFFORDABLE HOUSING TRUST FUND

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NOTICE OF FUNDING AVAILABILITY
Grants for Housing Assistance Programs

The Somerville Affordable Housing Trust Fund (SAHTF) is accepting applications for grants to carry out programs that address the housing needs of low and moderate-income households in Somerville. Applications will be accepted until **April 13, 2007**. A total of \$48,000 is available.

Background

The Somerville Affordable Housing Trust Fund was created by the City in 1989 to help create and preserve affordable housing and provide housing assistance to low- and moderate-income residents. It currently uses about 75% of its annual funds to make low cost loans to organizations developing or rehabilitating affordable housing and uses another 15% to make loans to tenants for rent arrears and security deposits. It distributes about 10% in the form of grants for housing-related service programs.

Activities Eligible for Program Grant Funding

The Trust's Program Grants support activities and services that help low- and moderate-income Somerville residents (incomes at or below 110% of the area median income) with housing problems. *This funding is not intended for housing development or first-time homebuyer programs. Applicants interested in loans for those activities should contact the Trust directly.* The activities must also generally meet the guidelines of the Trust. (Income limits and Trust Guidelines are attached – see Exhibits B and C). Timing: Funded activities must be completed by June 30, 2008.

Priority will be given to programs that:

- help low and moderate income households gain access to housing and/or
- help low and moderate income household retain their housing, and/or
- preserve or increase the supply of affordable housing in Somerville and/or
- demonstrate an innovative approach.

Examples of Previously Funded Projects

In 2006, the Trust made four program grants totaling \$43,000:

- It awarded \$20,000 to the Somerville Homeless Coalition to help homeless and at-risk individuals and families to obtain permanent housing and stabilize their housing situation using a City-funded rental assistance and security deposit program called Prevention and Stabilization Services (PASS).
- It awarded \$7,500 to the Just-A-Start Corporation to provide legal advice, mediation services, and other assistance to tenants and landlords in Somerville.
- It awarded \$11,000 to the Community Action Agency of Somerville (CAAS) to prevent evictions of low-income Somerville tenants and to prevent homelessness when eviction cannot be prevented.
- It awarded \$4,500 to the Massachusetts Alliance of Portuguese Speakers, Inc. (MAPS) to provide housing counseling to help Portuguese speaking renters and potential homebuyers.

Reports: Grantees will be required to submit quarterly progress reports to the Trust plus an evaluation of program outcomes at the end of the year (or earlier if the funded activity is completed sooner).

Selection Criteria

In selecting activities to fund, the Trust will give priority to:

- programs that will have a measurable impact
- applicants with a demonstrated capacity to carry out the activities for which they seek funding
- applicants with an ability to continue the proposed activity beyond the funding period
- applications from nonprofit organizations, with a preference for those based in Somerville
- applications that demonstrate an innovative approach to the program's goals

Application and Award Process

1. Applicants must submit a cover letter and two copies of their application (see Exhibit A) on or before **April 13, 2007 at 4:00 PM** to the below address. *Previously funded grantees must file all required progress and evaluation reports with the Trust prior to submitting an application for FY2008 funds.*

Somerville Affordable Housing Trust Fund
City of Somerville - SPCD
50 Evergreen Avenue
Somerville, MA 02145
Attention: Dana LeWinter

2. Trust staff will review each application when it is received and may contact the applicant for additional information.
3. Every applicant will be invited to make a presentation at the May monthly meeting of the Trust Fund (scheduled for May 3, 2006 6:30 PM, City Hall Third Floor Conference Room).
4. The Trust will make its funding decisions using the criteria outlined above at the conclusion of the meeting. *Given the limited amount of funding available, applicants may receive less than the full amount requested.*
5. Successful applicants will be required to sign a contract with the Trust, outlining the activities to be funded by the Trust and how the funds will be disbursed.

Contact for further information:

Dana LeWinter, City of Somerville Mayor's Office of Strategic Planning and Community Development (SPCD). Telephone: 617-625-6600 x2564. Email: dlewinter@ci.somerville.ma.us

Exhibit A

APPLICATION

All applicants should submit a written description of the activity for which they seek funding. The submission must include all of the following information. Applicants may present and sequence the information in the order they find most useful.

1. Date of application
2. Applicant Name & Address
Name of Contact Person
Contact person, telephone number, and email
3. Description of non-profit status (if applicable)
4. **Proposed Activity and Beneficiaries**
 - Description of proposed activity
 - Time period for performance (Trust-funded expenses must be incurred by 6/30/2007)
 - Description of population that will benefit from this activity program (e.g. first time homebuyers, persons with disabilities, low income renters with rent vouchers, etc.),
 - Income level of population to be assisted
 - Estimated number of households or individuals to be assisted
 - Extent to which beneficiaries are Somerville residents
 - How program outcomes will be measured and tracked (e.g. number of clients placed in permanent housing and housing status six months later)
5. **Program Budget / Grant Amount Requested:**
 - Proposed project budget (all funding sources and uses by amount)
 - Status of projected funding sources (e.g. pending or approved.)
 - Grant amount requested from the Trust and proposed use (e.g. for staff, for loans)
 - Timetable for expenditures
 - Indicate whether the proposed activity will be carried out if this application is not funded and whether it can be carried out if the grant award is less than requested.
6. **Sustainability.** Describe likelihood that the program will continue beyond this fiscal year (with or without future funding from the Trust)
7. **Experience/Capacity**
 - Brief description of similar successful projects or programs your organization has completed and how this program relates to other programmatic activities of your organization.
 - **Prior Trust Funding** If program was funded by the Trust last year, attach report describing outcomes achieved through last year's funding

Exhibit B

FY2008 INCOME LIMITS FOR TRUST FUND BENEFICIARIES Low and Moderate Income Households

The bylaws of the Somerville Affordable Housing Trust require that Trust funding only be used to assist households with incomes at or below 110% of the area median income (AMI) adjusted for household size. In addition, the bylaws set income-targeting requirements. In the long run, at least 20% of Trust expenditures must serve households with incomes at or below 50% of median, at least 20% must serve households with incomes ranging from 51% to 80% of median, and at least 10% must serve households with incomes between 81% and 110% of median. However, individual projects do not have to serve all three income brackets.

The income limits for the three targeted brackets are established by HUD annually. The current limits, shown below, became effective in April 2006.

2007 Upper Income Limits

Household Size	1	2	3	4	5	6	7	8
50% AMI	29,450	33,650	37,850	42,050	45,400	48,800	52,150	55,500
80% AMI	46,300	52,950	59,550	66,150	71,450	76,750	82,050	87,350
110% AMI	64,790	74,030	83,270	92,510	99,880	107,360	114,730	122,100

Exhibit C

Somerville Affordable Housing Trust Guidelines

Updated January 2006

Introduction

The Somerville Affordable Housing Trust was formed in 1989 by City Ordinance to help Somerville deal with the shortage of affordable housing. The Trust was charged with the preservation and creation of new affordable rental and homeownership units in the City of Somerville and the creation of programs that directly assist renters and homeowners.

The Somerville Affordable Housing Trust is an important resource for the City of Somerville in expanding and preserving the stock of affordable housing. Through the loans and grants of the Trust, Somerville has a flexible vehicle to respond to the affordable housing crisis.

This document reviews the history, purpose and regulations of the Trust. It sets forth the types of assistance offered by the Trust and establishes a process and criteria for Trust review of loan and grant applications.

Background of the Trust

Eligible purposes.

The purposes of the Trust are:

- To assist in the creation of new affordable homes and rental units in Somerville
- To assist in the preservation of existing affordable homes and rental units
- To directly assist renters and homeowners.

To guide the Trustees the Trust documents elaborate upon the purposes by listing permissible uses:

- Funds to assist in the development of affordable housing such as site acquisition, site clearance, site improvements, and/or option money;
- Funds to assist in the preservation of existing housing; including arson prevention and rehabilitation subsidies;
- Funds to assist renters, such as loans for security deposits and/or monthly subsidies or rent;
- Funds to assist new homeowners, such as loans and/or grants for down payments or closing costs;
- Funds for research projects to determine other appropriate uses of the Trust Fund
- Seed money for new programs or new organizations, such as limited equity cooperatives, a community land trust and/or a community loan fund
- Any other programs or projects that fulfill the purpose of the Trust.

The list is intended to be illustrative and not to limit the discretion of the Trust. As to setting criteria the document instructs the Trustees to consider the following:

- Whether the program or project will help to insure long term affordable housing
- Community need for the project

- Organizational capacity within the community to facilitate the program or project
- Current Trust assets;
- Other sources of funding available for the program
- Such other criteria as may be included in the Rules and Regulations.

Overlaying the purposes for which the Trust can distribute funds are specific requirements governing how linkage, or project mitigation payments, can be used.

The Linkage Ordinance specifies that Project Mitigation payments may only be used for the following purposes:

- Increasing the supply of housing that is available and affordable to low and moderate income people
- Ensuring that such housing is affordable over the long term
- Mitigating the impact of large-scale development on the supply and cost of housing in the City of Somerville.

Income criteria

Affordable housing for Trust purposes is defined as housing that is affordable to a “family having an income of no more than 110% of the median family income for the Boston SMSA. The Trust further requires:

- at least 20% of the funds serve households below 50% of median;
- at least 20% serve those with incomes between 51% and 80%;
- and at least 10% serve those with incomes between 81% and 110% of median.

Members

The ordinance establishing the Trust calls for 9 Trustees. Three of the Trustees are ex-officio and include the Mayor or designee, the President of the Board of Alderman or designee, and the Executive Director of the Somerville Housing Authority or designee. The other six members are appointed by the Mayor subject to the approval of the Board of Alderman as follows: two Somerville residents (one of whom shall be a tenant whose household is eligible for state or federal public housing programs), two representatives of Somerville non-profit organizations, one professional in the field of housing or real estate and one professional in the field of banking or finance.

The Board members who are not ex-officio serve for staggered terms of three years.

Source of Trust Funding

The Trust has received money from an initial capitalization by the city, from linkage payments, from inclusionary zoning payment in lieu of units, from an Emergency Shelter Grant, a betterment payment and interest on the corpus.

The initial capitalization of the Trust was \$400,000. Of that, \$150,000 was a Payment in Lieu of Taxes (PILOT) from Tufts University and \$ 250,000 was from UDAG repayments.

Soon after the Trust was formed, the City enacted a linkage ordinance on commercial development. Projects are required to pay \$3.90 per square foot over 30,000 square feet. The linkage ordinance specifies that all payments, called Project Mitigation Contributions, go to the Somerville Affordable Housing Trust. The payments are made in either a lump sum or five annual installments.

In addition, developers subject to the city's Inclusionary Housing ordinance can make a payment in lieu of units. The first such payment was received in September 2002.

The Trust has made a total of over \$1.85 million available through loans or grants since its inception.

Goals of the Trust

The Trustees in 2002, acting within the ordinance and with awareness of the current housing needs of the City of Somerville, have developed a set of goals and procedures by which they will fulfill the purposes of the Trust. The following goals will guide the actions of the Trust:

- Create and Preserve rental housing for Somerville residents with incomes up to 110% of median
- Create more homeownership opportunities for residents with incomes up to 110%
- Be a unique source of financing: provide funds that other programs cannot
- Effectively leverage state, federal and private funds
- Support projects and programs with measurable goals and positive outcomes

Types of Assistance

The Trust will offer grants and loans in the categories listed below. Depending upon the amount of funding available and the demand for the funds, the Trust may limit the types of awards from year to year.

Loans

Development loans. The development loans are in two categories:

- Short term financing for acquisition or development soft costs.
- Longer term gap financing. These can be subordinate debt and may leverage state, federal and private money.

Loans to Individuals:

- **Downpayment Assistance.** Eligible homebuyers may access this fund for help with downpayments or closing costs for ownership in Somerville. The assistance must be repaid.
- **Revolving Renter Loan Fund.** This fund's purpose is to help preserve tenancies or to help tenants access housing. It has been used for tenants for rent arrearages, first and last month rent and security deposit. The program administrators will negotiate payment terms.

Grants

Program Grants

Program grants are available on a limited basis for programs that help to sustain affordable housing or help Somerville households access affordable housing.

Allocation

The amount of money in the Trust Fund may vary from year to year depending upon new payments under the linkage and inclusionary zoning initiatives and repayment of existing loans. Annually, the Trust will allocate the funding according to a formula based on a percentage of the overall funds available. The formulas may be adjusted from time to time by a threshold or a ceiling on the amounts available for each program component.

Activity	Percentage of Annual Fund Budget
Development Project Loans <ul style="list-style-type: none">• Rental development (2/3 of total allocation)• Homeownership development (1/3 of total allocation)	75%
Individual Loans <ul style="list-style-type: none">• Homebuyer loans• Rental assistance loans	15%
Grants	10%

The Trust has income targeting requirements (see above) and may from time to time re-allocate funding among categories to insure that the required income levels are served.

Terms of Assistance

The Affordable Housing Trust fund is a revolving fund, with the exception of funds that are explicitly given in the form of a grant (10% set-aside each fiscal year). In general, the Trust makes loans at favorable interest rates that must be repaid. The specific terms are negotiable. Return on the Trust's investment can be measured in a number of ways including the impact of the project, the social or economic importance to neighborhoods and the improvement of the quality of life in Somerville and for its low and moderate-income residents. In determining the specific terms of repayment, the Trust will take the above factors into consideration.

The loans are generally intended to fill short-term gaps or to provide flexible, more streamlined access to funding to enable a developer to seize housing opportunities. In most cases, the Trust expects that funds will be repaid so that new projects or individuals can access the money.

For loans to individual homebuyers, the fund will make 0% deferred payments loans, deferred for a period of up to 5 years. Repayment terms will be negotiated based on income of the homeowner and appreciation of the property.

For development projects, the Trust understands that the more highly leveraged the funds the more subject to negotiation these terms are with our lending partners. In determining the terms of the loan, the Trust will evaluate the following:

- Level of and percentage of affordability
- Long term use and affordability restrictions
- Ability of the project cash flow to absorb repayment while maintaining affordability
- Leverage of Affordable Housing Trust loan

The amount of the loan will depend on a number of factors including amount of Trust funding available, minimum amount necessary for feasibility, demand for the fund and how well a project meets the criteria established.

Criteria for Evaluation of Loan requests

The Trust will periodically issue RFPs for projects. In addition to specific criteria that may be established in these RFPs, the Trust will generally evaluate projects based on the following criteria.

Development Loans

- Positive impact of the project on the quality of life in Somerville including the project's ability to preserve economic diversity.
- Capacity of the development entity; (Preference for Somerville non-profit developers)
- Total number of units
- Percentage of affordable units
- Amount of AHT invested per unit

Downpayment Assistance loans

- Somerville resident
- Good credit history
- Other assets available for downpayment
- Not eligible for other state or federal downpayment assistance programs
- Priority will be given to homebuyers of 2 or 3 family units who agree to accept affordability restrictions for rental units

Revolving Rental Loan Fund

(to be devised by sub-committee)

Criteria for evaluating Grant Requests

- The grant will have a measurable impact on the affordability of housing in Somerville
- The grantee can demonstrate it can achieve successful outcomes such as preserving tenancies
- The grantee has the capacity to administer the grant and deliver the services funded by the grant.
- Preference for Somerville-based agencies.

The Process for Applying to the Trust

Loan Request.

Applications for Revolving Rental Loan Fund (RRLF) program are available through the program administrators, the Community Action Agency of Somerville (CAAS), Somerville Community Corporation (SCC) and the Somerville Housing Authority.

Applicants for Trust funds may apply on a rolling basis. Before submitting an application, applicants should send a letter of inquiry/interest to the Fund Managing Trustee and to the Housing Director of OHCD. The Fund will review the request and determine if funding is available at the time of the request and if so, invite an application.

The staff of the Somerville Office of Strategic Planning and Community Development will review the application. The staff may request additional information. The staff will evaluate the proposal according to the criteria established in the guidelines and make recommendations to the Trust as to the amount of the loan and terms for repayment.

The Trust may review grant and loan requests at each monthly meeting of the Trust. Applicants for development project loans may be asked to appear and make a brief presentation about the project and answer questions.

From time to time, depending on the demand, amount and availability of funds, the Trust may issue a Request for Proposals (RFP).

Grant Requests

In each year that funds are available for grants, the Trust will issue an RFP for the Grant awards and establish specific criteria at that time.